

AMENDMENT TO H.R. 6694

**OFFERED BY MR. AL GREEN OF TEXAS, MR.
GARY G. MILLER OF CALIFORNIA, MS. WA-
TERS OF CALIFORNIA, AND MR. SHAYS OF
CONNECTICUT**

Page 3, line 1, after “at levels necessary” insert “,
but no higher than needed,”.

Page 3, line 5, before the semicolon insert the fol-
lowing: “, which may exceed the maximum amount per-
mitted under section 203(c)(2)(B)”.

Page 3, line 13, before the comma insert “for a
mortgage under which the mortgagor has a credit score
equivalent to a FICO score of at least 640 but less than
680”.

Strike section 3 (relating to authorization for risk-
based pricing) and insert the following:

1 SEC. 3. LIMITATIONS ON RISK-BASED PRICING.

2 Section 203(c) of the National Housing Act (12
3 U.S.C. 1709(c)) is amended by adding at the end the fol-
4 lowing new paragraphs:

5 “(3) LIMITATIONS ON RISK-BASED PRICING.—

6 Except as provided in paragraph (4), the Secretary

1 of Housing and Urban Development shall not take
2 any action on or after October 1, 2008, to imple-
3 ment or carry out—

4 “(A) risk-based premiums, which are de-
5 signed for mortgage lenders to offer borrowers
6 an FHA-insured product that provides a range
7 of mortgage insurance premium pricing, based
8 on the risk that the insurance contract rep-
9 resents, as set forth in the Notice published in
10 the Federal Register on May 13, 2008 (Vol. 73,
11 No. 93, Pages 27703 through 27711) (effective
12 July 14, 2008); or

13 “(B) any other risk-based premium prod-
14 uct related to the insurance of any mortgage on
15 a single family residence under this title, where
16 the premium price for such new product is
17 based in whole or in part on a borrower’s Deci-
18 sion Credit Score, as that term is defined in the
19 Notice referred to in subparagraph (A), or any
20 successor thereto.

21 “(4) FLEXIBLE RISK-BASED PREMIUMS.—Not-
22 withstanding paragraph (3) of this subsection and
23 section 2133 of the FHA Modernization Act of 2008
24 (Public Law 110–289):

1 “(A) AUTHORITY.—In the case only of a
2 mortgage under which the mortgagor has a
3 credit score equivalent to a FICO score of less
4 than 600, the Secretary may establish a mort-
5 gage insurance premium structure involving a
6 single premium payment collected prior to the
7 insurance of the mortgage or annual payments
8 (which may be collected on a periodic basis), or
9 both, under which the rate of premiums for
10 such a mortgage may vary according to the
11 credit risk associated with the mortgagor and
12 the rate of any annual premium for such a
13 mortgage may vary according to such credit
14 risk during the mortgage term as long as the
15 basis for determining the variable rate is estab-
16 lished before the execution of the mortgage.
17 The Secretary may change a premium structure
18 established under this subparagraph but only to
19 the extent that such change is not applied to
20 any mortgage already executed.

21 “(B) ESTABLISHMENT AND ALTERATION
22 OF PREMIUM STRUCTURE.—A premium struc-
23 ture shall be established or changed under sub-
24 paragraph (A) only by providing notice to mort-
25 gagees and to the Congress, at least 30 days

1 before the premium structure is established or
2 changed.

3 “(C) ANNUAL REPORT REGARDING PRE-
4 MIUMS.—The Secretary shall submit a report to
5 the Congress annually setting forth the rate
6 structures and rates established and altered
7 pursuant to this paragraph during the pre-
8 ceding 12-month period and describing how
9 such rates were determined.

10 “(D) CONSIDERATIONS FOR PREMIUM
11 STRUCTURE.—When establishing and collecting
12 premiums for mortgages insured under a pre-
13 mium structure established under this para-
14 graph, the Secretary shall consider the fol-
15 lowing:

16 “(i) The effect of the proposed pre-
17 miums or structure on the Secretary’s abil-
18 ity to meet the operational goals of the
19 Mutual Mortgage Insurance Fund as pro-
20 vided in section 202(a).

21 “(ii) Underwriting variables.

22 “(iii) The extent to which new pricing
23 under the proposed premiums or structure
24 has potential for acceptance in the private
25 market.

1 “(iv) The administrative capability of
2 the Secretary to administer the proposed
3 premiums or structure.

4 “(v) The effect of the proposed pre-
5 miums or structure on the Secretary’s abil-
6 ity to maintain the availability of mortgage
7 credit and provide stability to mortgage
8 markets.

9 “(E) AUTHORITY TO BASE PREMIUM
10 PRICES ON PRODUCT RISK.—

11 “(i) AUTHORITY.—In establishing pre-
12 mium rates under this title, the Secretary
13 may provide for variations in such rates
14 according to the credit risk associated with
15 the type of mortgage product that is being
16 insured under this title, which may include
17 providing that premium rates differ be-
18 tween fixed-rate mortgages and adjustable-
19 rate mortgages insured pursuant to section
20 251, between mortgages for condominiums
21 and mortgages for other interests in prop-
22 erties, between mortgages having different
23 ratios of the principal obligation under the
24 mortgage to the appraised value of the

1 property, and between such other products
2 as the Secretary considers appropriate.

3 “(F) PAYMENT INCENTIVES.—

4 “(i) AUTHORITY.—With respect to
5 mortgages for which insured the Secretary
6 is authorized to establish a premium struc-
7 ture under this paragraph, the Secretary
8 shall provide that the payment incentive
9 under subparagraph (ii) applies upon the
10 expiration of the 5-year period beginning
11 upon the time of insurance of such a mort-
12 gage, and the Secretary may provide that
13 the payment incentive under clause (ii) ap-
14 plies upon the expiration of the 3-year pe-
15 riod beginning upon the time of insurance
16 of such a mortgage. The Secretary may
17 limit such discretionary authority to mort-
18 gages prepaid or paid in full during the 2-
19 year period beginning 3 years after the
20 time of insurance of such a mortgage.

21 “(ii) PAYMENT INCENTIVE.—In the
22 case of any mortgage to which the pay-
23 ment incentive under this subparagraph
24 applies, if, during the period referred to in
25 clause (i), all mortgage payments, includ-

1 ing insurance premiums, for such mort-
2 gage have been paid on a timely basis,
3 upon the expiration of such period the Sec-
4 retary shall refund to the mortgagor, upon
5 payment in full of the obligation of the
6 mortgage, all or a portion of—

7 “(I) the amount by which the
8 single premium payment for such
9 mortgage collected at the time of in-
10 surance exceeded the amount of the
11 single premium payment chargeable
12 under paragraph (2) at the time of in-
13 surance for a mortgage of the same
14 product type having the same terms,
15 but for which the mortgagor has a
16 credit score equivalent to a FICO
17 score of 600 or more; and

18 “(II) in the case only of mort-
19 gages for which annual premiums are
20 established and collected under sub-
21 paragraph (G), the amount by which
22 the cumulative amount of annual pre-
23 miums paid exceeded the amount of
24 the maximum annual premium that
25 otherwise may be established and col-

1 lected notwithstanding such subpara-
2 graph.

3 “(G) OPTION FOR HIGHER ANNUAL PRE-
4 MIUM IN LIEU OF HIGHER UP-FRONT PRE-
5 MIUM.—In the case only of mortgages for which
6 the Secretary is authorized to establish a pre-
7 mium structure under this paragraph, notwith-
8 standing paragraph (2)(B) of this subsection,
9 the Secretary may establish and collect, for a
10 period not exceeding the first 5 years of the
11 term of the mortgage, annual premium pay-
12 ments in an amount not exceeding 0.75 percent
13 of the remaining insured principal balance of
14 the mortgage (excluding the portion of the re-
15 maining balance attributable to the premium
16 collected under paragraph (2)(A) and without
17 taking into account delinquent payments or pre-
18 payments), except that—

19 “(i) the Secretary may utilize such
20 authority only for such classes of mortga-
21 gors that the Secretary determines would
22 otherwise be subject to a single premium
23 payment collected at the time of insurance
24 exceeding 2.25 percent of the amount of

1 the original insured principal obligation of
2 the mortgage; and
3 “(ii) for such mortgages, the Sec-
4 retary may not establish or collect a single
5 premium payment collected at the time of
6 insurance exceeding 2.25 percent of such
7 original insured principal obligation.”.

